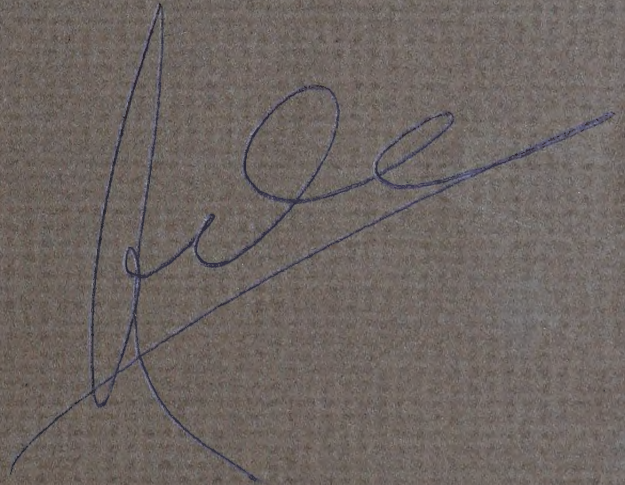
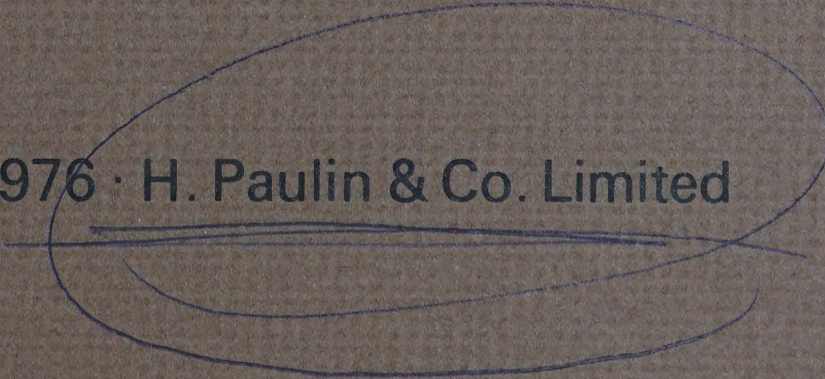


paulin

A handwritten signature in blue ink, appearing to be 'H. Paulin', is written over the embossed logo.

Annual Report 1976 · H. Paulin & Co. Limited

A large, loopy handwritten signature in blue ink is written over the bottom half of the page, partially obscuring the text.



#### **DIRECTORS**

\*Dr. Irving Betcherman, Toronto  
Arnold B. Irwin, Toronto  
Ayton G. Keyes, Ottawa  
\*Arthur Paulin, Toronto  
Stanley F. Paulin, Toronto  
\*Vincent P. Reid, Q.C., Toronto  
  
Harvey G. Kotler, Toronto

Director, The Ingot Metal Co. Limited  
President, Irwin Toy Limited  
President, Keyes Investments Limited  
H. Paulin & Co. Limited  
H. Paulin & Co. Limited  
Vice-President, Walwyn Stodgell Cochran  
Murray Limited  
Partner, Robins and Partners  
\*Member of the Audit Committee

#### **OFFICERS**

Arthur Paulin  
Stanley F. Paulin  
Frank Juriansz  
Joyce Mair

President  
Vice-President, Secretary  
Vice-President, Purchasing  
Treasurer

#### **HEAD OFFICE**

#### **AUDITORS**

#### **LEGAL COUNSEL**

#### **TRANSFER AGENT AND REGISTRAR**

#### **SHARES LISTED**

55 Milne Ave., Scarborough, Ont.  
Touche Ross & Co., Toronto, Ont.  
Robins and Partners, Toronto, Ont.  
Canada Trust Company,  
Toronto, Vancouver, Edmonton  
and Winnipeg  
The Toronto Stock Exchange



Annual report 1976 · H. Paulin & Co., Limited

Financial Highlights	1976	1975
Sales	\$14,125,484	\$11,977,878
Net Income	\$ 737,437	\$ 669,449
*Earnings per Share	70.2¢	63.7¢
Dividend Paid	\$ 140,317	\$ 116,998
*Dividend per Share	15.0¢	12.5¢
*Shareholder's Equity per Share	\$ 6.66	\$ 6.11
Working Capital	\$ 5,971,927	\$ 5,297,192

\*Based on 1,050,000 shares outstanding



57 yr record

Reading

## To our Shareholders

I am pleased to report to you that Company sales in 1976 rose to \$14,125,484, an increase of 18% over 1975, and net earnings increased by 10% to \$737,437 or 70.2¢ per share. The sales volume represents a record level in the Company's 57 year history.

For these accomplishments I would like to extend my appreciation to each of our employees and also to our valued customers and suppliers.

There was a further improvement in the Company's financial position in 1976. Working Capital increased by \$675,000 to \$5,972,000, and short term bank borrowings were reduced by \$541,000. In 1976 \$206,000 was invested in capital equipment. Expenditures of \$200,000 are planned in 1977 for additions and replacement of existing equipment.

In December the semi-annual dividend rate on Class "A" shares was increased to 7.5¢ (6.375¢ per Class "B" share). Total dividends paid amounted to \$140,000.

more

Late in the year the Company purchased the assets and leased the premises of West End Plating Ltd. This new Plating Division is operating well and we have greatly improved the service and quality of our plated products.

The Board appointed Mr. Frank Juriansz to the new position of Vice-President, Purchasing in recognition of his responsible role in the affairs of the Company. We welcome to the Board, Mr. Arnold B. Irwin, President of Irwin Toy Ltd., who was elected at the Annual Meeting.

We expect our sales growth to continue in 1977 but we are concerned with the effect on our earnings of constantly rising costs. With world fastener capacity in excess of current demand the competitive selling price of our products does not entirely reflect current costs. I can assure you that our efforts to develop profitable markets and improve efficiency are continuous and should contribute to a satisfactory performance this year and to our future growth.

On behalf of the Board of Directors, I wish to present to you the financial statements for the year ended December 31, 1976.

Arthur Paulin

May 20, 1977



## Operations:

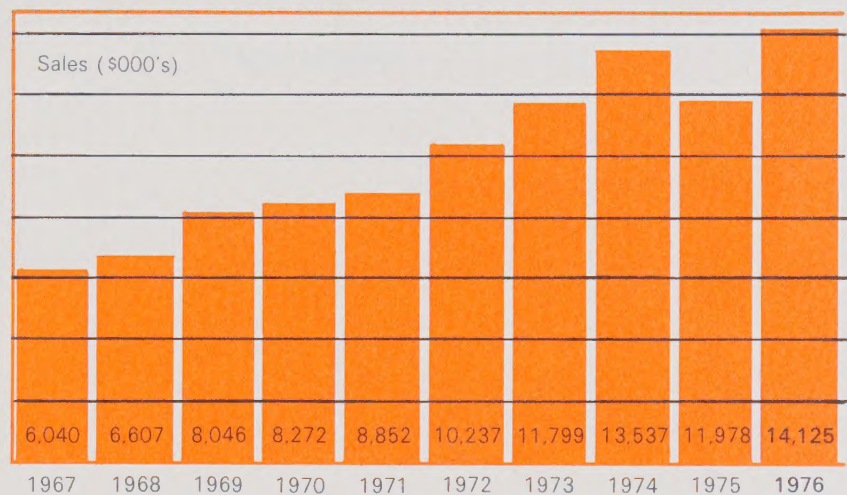
The Pic-a-Pac division was formed to produce and warehouse this new product line. The most modern counting, filling and automatic labelling equipment was installed in separate premises for this division.

Electroplating has been added to our many other manufacturing operations with the formation of our West End Plating Division. This plant is producing the highest quality electro-zinc finish and has ample capacity for our volume and service requirements.

Additional long-stroke cold headers were added to increase our fastener production range. Our rebuilding program has continued to maintain our bolt-making, nut-forming and metal stamping facilities in top mechanical condition.

## Marketing:

Our record sales of 1976 were achieved because of the high production levels in the automotive manufacturing industries and the good demand in the automotive aftermarket, the agricultural and appliance fields. These markets overshadowed the decline in construction and heavy truck markets. We look for continued overall sales growth in 1977.



### Automotive aftermarket

Last year the Canadian automotive aftermarket recorded a sales increase of 14%. Our aftermarket division achieved sales gains exceeding that amount. The "Papco" line is being sold by the major warehouse distributors and jobbers in Canada. Our product acceptance continues to increase as we develop new items and merchandising methods to serve the needs of this changing and expanding market.

### Industrial and hardware distributors

Industrial distributor business, while showing an increase was hampered by economic conditions in the construction, mining and lumbering industries. The new Pic-a-Pac line is being well accepted and is improving its share of the Hardware and Mass Merchandiser markets.

We expect that sales to distributors of our major line of screw products will continue to grow as a result of marketing changes.

### Other Markets

A licensing agreement for the production of Dri-Loc locking fasteners was entered into with Loctite Corporation of Newington, Conn. Production of these fasteners has now commenced. Export sales of our complete fastener and fittings lines were brisk in 1976 and are expected to further expand.

### Outlook

While no upsurge can be forecast for the Canadian economy at present, we expect Company results to be acceptable in 1977 and we shall be prepared for the inevitable return to more rapid growth in the future.

We still maintain our policy of being responsive to the technical and merchandising needs of the markets we serve.



H. Paulin & Co., Limited and its wholly-owned subsidiary (Incorporated in Hong Kong)

## Consolidated balance sheet · December 31, 1976

ASSETS	1976	1975
Current		
Accounts receivable	\$ 2,129,373	\$2,130,278
Inventories	6,398,306	5,955,668
Sundry assets and prepaid expenses	<u>127,175</u>	<u>136,248</u>
	8,654,854	8,222,194
Plant, equipment and leasehold improvements, at cost	3,368,737	3,154,681
Less accumulated depreciation and amortization	<u>1,853,679</u>	<u>1,571,208</u>
	1,515,058	1,583,473
	<u><u>\$10,169,912</u></u>	<u><u>\$9,805,667</u></u>



der the laws of Ontario)

with comparative figures for 1975)

LIABILITIES	1976	1975
Current		
Bank indebtedness (Note 3)	\$ 1,111,194	\$1,652,427
Accounts payable and accrued charges (Note 6)	1,222,830	1,211,465
Income taxes	348,903	61,110
	<u>2,682,927</u>	<u>2,925,002</u>
Deferred income taxes	494,462	468,162
	<u>3,177,389</u>	<u>3,393,164</u>
SHAREHOLDERS' EQUITY		
Capital stock (Note 2)		
Authorized		
2,000,000 Class A convertible common shares without par value		
2,000,000 Class B convertible common shares without par value		
2,000 Common shares without par value		
Issued		
1,050,000 Class A and B shares	1,016,188	1,016,188
Retained earnings	5,976,335	5,396,315
	<u>6,992,523</u>	<u>6,412,503</u>
	<u>\$10,169,912</u>	<u>\$9,805,667</u>

On behalf of the Board

*Arthur Paulin*  
Director

*Stanley F. Paulin*  
Director



H. Paulin & Co., Limited and its wholly-owned subsidiary

## Consolidated statement of income and retained earnings

for the year ended December 31, 1976

(with comparative figures for 1975)

	1976	1975
Sales	\$14,125,484	\$11,977,878
Income from operations before the following charges	\$ 4,078,369	\$ 3,834,466
Selling, general and administrative expenses	2,351,827	2,180,539
Depreciation and amortization	274,876	239,284
Interest	107,237	202,746
	2,733,940	2,622,569
Income before provision for income taxes	1,344,429	1,211,897
Provision for income taxes	606,992	542,448
Net income for the year	737,437	669,449
Retained earnings at beginning of year	5,396,315	4,849,264
	6,133,752	5,518,713
Payment of tax under Section 196(1) of the Income Tax Act	17,100	5,400
Dividend paid	140,317	116,998
Retained earnings at end of year	\$ 5,976,335	\$ 5,396,315
Earnings per share	70.2¢	63.7¢
Dividend per share	15.0¢	12.5¢

## Auditors' report

The Shareholders,  
H. Paulin & Co., Limited

We have examined the consolidated balance sheet of H. Paulin & Co., Limited as at December 31, 1976 and the consolidated statements of income and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.



## Consolidated statement of changes in financial position

for the year ended December 31, 1976

(with comparative figures for 1975)

	1976	1975
Source of funds		
From operations		
Net income for the year	\$ 737,437	\$ 669,449
Add charges not requiring an outlay of funds		
Depreciation and amortization	274,876	239,284
Deferred income taxes	26,300	123,110
	<u>1,038,613</u>	<u>1,031,843</u>
Application of funds		
Acquisition of fixed assets—net	206,461	366,895
Dividend paid	140,317	116,998
Payment of tax under Section 196 (1) of the Income Tax Act	17,100	5,400
	<u>363,878</u>	<u>489,293</u>
Increase in working capital	674,735	542,550
Working capital at beginning of year	5,297,192	4,754,642
Working capital at end of year	<u>\$ 5,971,927</u>	<u>\$ 5,297,192</u>

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1976 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario,  
April 8, 1977.

*Touche Ross + Co.*

Chartered Accountants.





H. Paulin & Co., Limited and its wholly-owned subsidiary

## Notes to the consolidated financial statements December 31, 1976

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1. Summary of significant accounting policies

(a) Consolidation

The consolidated financial statements include the accounts of H. Paulin & Co., Limited and its wholly-owned subsidiary company.

(b) Inventories

Inventories are valued at the lower of cost and net realizable value.

(c) Plant, equipment and leasehold improvements

Expenditures for additions and major improvements to office fixtures, vehicles and leasehold improvements are capitalized while those for maintenance and repairs are expensed as incurred. The costs and accumulated depreciation applicable to assets sold or retired are removed from the respective accounts and gains or losses thereon are credited or charged to income.

Provision for depreciation is computed primarily by the straight-line method based on the estimated useful lives of the related assets. Leasehold improvements are amortized by the straight-line method over the terms of the leases.

(d) Deferred income taxes

Deferred income taxes arise primarily from timing differences between financial and income tax reporting of depreciation charges.

2. Capital stock

- (a) Class A and B shares are inter-convertible on a share for share basis and the rights of each class are identical. Both classes of shares rank equally as to dividends but the directors may elect to declare and pay a dividend on the Class B shares first out of 1971 tax-paid undistributed surplus on hand and then out of 1971 capital surplus on hand (as those expressions are defined in the Income Tax Act of Canada) provided that a cash dividend is declared and paid on the Class A shares in an amount equal to the sum of the cash dividend on the Class B shares plus the tax paid to create the tax-paid undistributed surplus. Changes in the issued share capital during the year were as follows:

	Class A	Class B	Total
Common shares outstanding at beginning of year	290,303	759,697	1,050,000
Class A shares converted to Class B shares	(2,500)	2,500	—
Common shares outstanding at end of year	<u>287,803</u>	<u>762,197</u>	<u>1,050,000</u>

- (b) Under a proposed stock option plan, 50,000 shares (1975—50,000 shares) were reserved as at December 31, 1976; no options have been granted under this plan.

3. Bank indebtedness

The Company has given a general assignment of its accounts receivable as security for its bank indebtedness.

4. Remuneration of directors and senior officers

Remuneration of directors and senior officers as defined by The Business Corporations Act—Ontario of the Company for the year ended December 31, 1976 was \$196,710 (1975—\$218,382).

5. Lease obligations

Annual rentals payable under long-term leases which expire at various dates up to 1989 are approximately \$206,000.

6. Accounts payable

Accounts payable of approximately \$189,000 are secured by equipment purchased during the prior year.

7. Dividend restriction

Under the Canadian Government's Anti-Inflation Legislation program which became effective October 14, 1975, the dividends to the Company's shareholders during the year ending October 13, 1977 are restricted.

8. Comparative figures

Certain of the 1975 comparative figures have been reclassified to conform with the 1976 presentation.

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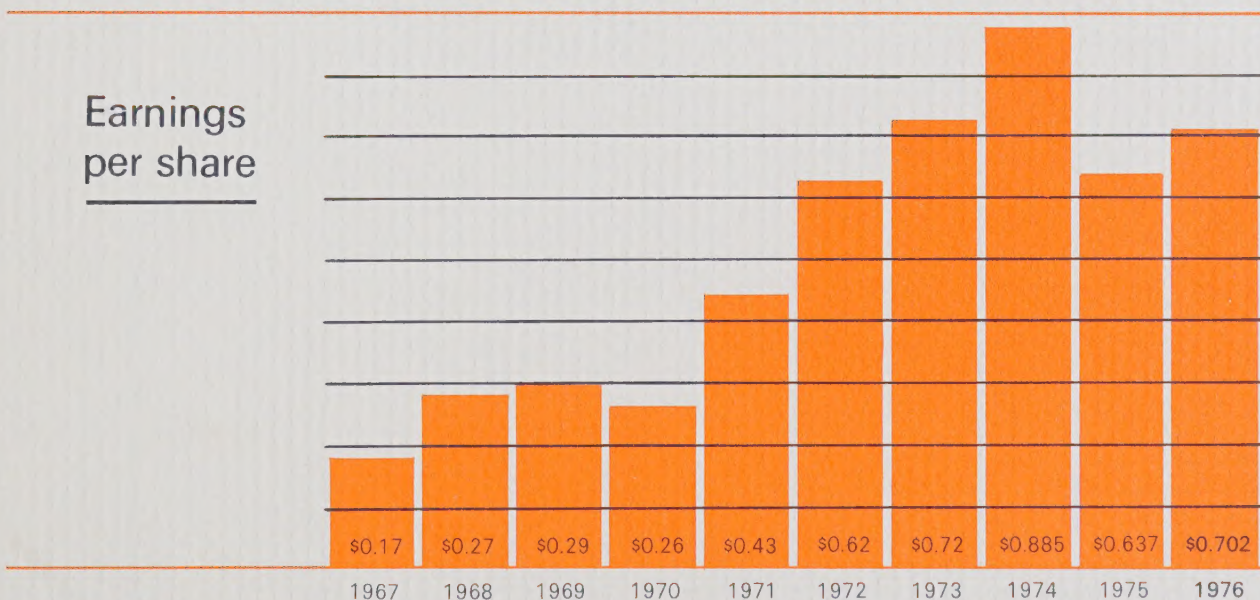


## Ten year statistical summary Years ending December 31, 1967 – 1976

Dollars in thousands except as indicated †	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976
Sales	\$6,040	6,607	8,046	8,272	8,852	10,237	11,799	13,537	11,978	14,125
Depreciation	\$ 78	84	94	96	118	132	173	195	239	275
Income Taxes	\$ 214	311	371	306	455	626	626	830	542	607
Net Income	\$ 178	285	308	276	454	654	757	929	669	737
Earnings per Share* †	\$ 0.17	0.27	0.29	0.26	0.43	0.62	0.72	0.885	0.637	0.702
Net Income % of Sales	2.9	4.3	3.8	3.3	5.1	6.4	6.4	6.9	5.6	5.2
Additions to Fixed Assets	\$ 12	101	193	260	223	216	510	539	367	206
Working Capital	\$1,412	1,941	2,156	2,432	2,733	3,784	4,114	4,754	5,297	5,972
Shareholders' Equity	\$1,892	2,153	2,452	2,728	3,181	4,424	5,053	5,865	6,413	6,993
Return on Equity %	9.9	14.1	13.4	10.7	15.4	17.2	16.0	17.0	10.9	11.0

\*Based on 1,050,000 shares outstanding as at December 31, 1976.

### Earnings per share









**Paulin**

*Joe*

H. Paulin & Co., Limited

INTERIM REPORT  
TO SHAREHOLDERS

SIX MONTHS ENDED JUNE 30, 1976





## TO OUR SHAREHOLDERS:

H. Paulin & Co., Limited and its wholly-owned subsidiary

We are pleased to submit the interim statement of your Company for the six months ended June 30, 1976. Indicated after-tax profits are \$409,194 or 39¢ per share compared with \$329,595 or 31¢ per share for the same period in 1975. This represents a profit increase of 24%.

Sales volume at \$7,207,000 is over 15% higher than the \$6,238,700 for the six months ended June 30, 1975.

The improvement in the Company's financial position as noted in the Annual Report has continued in 1976 with a further increase in working capital of \$430,000 for the period.

The equipment for the Pic-A-Pac Packaged Hardware Division is now operating in an 18,000 sq. ft. building recently leased near the main plant in Scarborough.

Increases in steel prices together with other rising costs must be reflected in higher selling prices for many of the Company's products in the latter part of the year.

It is expected that current sales levels can be maintained for the balance of the year which should produce an acceptable earnings result.

August 12, 1976  
ARTHUR PAULIN  
President

## CONSOLIDATED STATEMENT OF INCOME (unaudited) Six Months ended June 30, 1976 with 1975 comparisons

	1976	1975
Sales	\$ 7,207,044	\$ 6,238,700
Income from operations before the undernoted	866,532	726,302
Depreciation and amortization	125,775	116,000
Income from operations	740,757	610,302
Taxes on income	331,563	280,707
Net income	409,194	329,595
Earnings per share (1,050,000 shares)	39¢	31¢

## CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION (unaudited) Six Months ended June 30, 1976 with 1975 comparisons

	1976	1975
Source of funds:		
From operations	\$ 409,194	\$ 329,595
Net income	125,775	116,000
Add depreciation	\$ 534,969	\$ 445,595
Use of funds:		
Additions to fixed assets	\$ 104,134	\$ 288,000
Increase in working capital	430,835	157,595
	\$ 534,969	\$ 445,595